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INTERNATIONAL DEVELOPMENT ASSOCIATION REPLENISHMENT ACT OF 2008

SEPTEMBER 16, 2008.—Ordered to be printed

Mr. BIDEN, from the Committee on Foreign Relations,
submitted the following

REPORT

[To accompany S. 3168]

The Committee on Foreign Relations, having had under consideration the bill (S. 3168), to authorize United States participation in the replenishment of resources of the International Development Association, and for other purposes, reports favorably thereon and recommends that the bill do pass.

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I. PURPOSE

The purpose of S. 3168 is to authorize United States participation in the fifteenth replenishment of resources of the International Development Association (IDA) of the International Bank for Reconstruction and Development.

II. COMMITTEE ACTION

S. 3168 was introduced by Senators Biden and Lugar on June 19, 2008. On June 24, 2008, the committee ordered S. 3168 reported favorably by voice vote.

III. DISCUSSION

S. 3168, the “International Development Association Replenishment Act of 2008” authorizes U.S. participation in the fifteenth replenishment of the International Development Association. The U.S. three-year commitment, 2009–2011, amounts to \$3.7 billion, representing 14.7% of the total \$41.6 billion replenishment. Although this represents an increase from the previous replenish-

ment, for the first time the United Kingdom (UK) has replaced the United States as the top donor to IDA. The UK's contribution for this replenishment is \$4.3 billion or 16.7% of the total. In the previous IDA replenishment, the Congress appropriated \$2.85 billion out of a total replenishment of \$33 billion.

IDA was founded in 1960, 16 years after the creation of the World Bank, to address concern that the poorest countries could not afford to borrow at the near-market rate terms offered by the International Bank for Reconstruction and Development (IBRD).

It was established as a revolving fund, providing concessional loans to the poorest countries subsidized by donor contributions and transfers from the IBRD. IDA is the largest provider of multilateral official development assistance to low income countries; between 1994 and 2005 it disbursed approximately \$80 billion. Because IDA provides the poorest countries with grants and loans at subsidized rates, its resources must be periodically replenished. Donor nations have replenished IDA 14 times since its founding.

On March 5, 2007, donor nations began to discuss a possible fifteenth replenishment of funds for IDA. This is the first replenishment since the G8 summit at the Gleneagles Resort in Scotland in 2005 where world leaders proposed the creation of the Multilateral Debt Relief Initiative (MDRI). The MDRI cancels the remaining debt of the world's poorest countries and pledges to double the amount of aid to Sub-Saharan Africa between 2004 and 2010, primarily in the form of grant-based assistance. In the negotiations, the U.S. emphasized the following reform areas: an expanded results measurement system to increase project effectiveness, improvements to World Bank engagement in fragile and post-conflict states, measures to enhance debt sustainability in debt relief recipients, and greater institutional transparency.

Enhanced efforts to improve results. IDA has established a results measurement system to monitor progress against key development indicators (such as primary school completion rates and HIV prevalence rates). The committee supports the World Bank's commitment to continue to improve the quality of data and the way it is measured, strengthening the link between expenditures and poverty reduction.

Fragile and post-conflict states. The committee notes that the World Bank has increased the scale of its assistance to fragile and post-conflict states such as Liberia. This is a positive development; the committee intends for this replenishment to increase the World Bank's capacity to help cash-strapped post-conflict states. Restoring essential services, initiating infrastructure reconstruction, and bringing about a "peace dividend" are critical areas that require sustained World Bank support.

Debt sustainability and grants. The World Bank will be able to provide grants to countries at risk of experiencing debt distress. The committee believes this represents an important step towards ending lend-and-forgive policies and will ensure that the poorest countries will be able to sustainably service their debt.

Transparency. Increased transparency is a high priority for the committee. It is important that the World Bank continue to implement transparency reforms in the latest replenishment, including disclosing Board minutes, strengthening public consultation proce-

dures, and continuing independent audits of internal management controls. The committee continues to monitor progress at the World Bank on anti-corruption efforts in its projects and programs and asserts that ensuring that development funds are not stolen or misused will result in better project and program outcomes. The committee also continues to monitor progress at the World Bank on anti-corruption and transparency promotion with client countries.

S. 3168 lays out several Congressional priorities. First, the bill requires that the World Bank consider greenhouse gas emissions when undertaking environmental assessments of potential funded projects. Second, the bill authorizes the Secretary of the Treasury to engage in negotiations to establish a pilot anti-corruption trust fund. This is meant to assist poor countries in prosecuting fraud and corruption, as well as to determine whether such a fund would be relevant to other multilateral institutions. Third, it requires the Secretary to submit a report to Congress assessing the level, adequacy and effectiveness of the system used to address grievances with multilateral development banks.

Requirement to Consider Greenhouse Gas Emissions in Environmental Impact Assessments

Current law requires U.S. Executive Directors at the World Bank and all the regional development banks to abstain or vote against any proposed action with significant environmental effects if it has not received an appropriate environmental assessment that has been available to the Executive Director and the public for 120 days prior to a vote. Section 5 of S. 3168 adds to that assessment an analysis of the greenhouse gas emissions associated with proposed actions, and with alternatives to the proposed actions, to be made available in both English and the official languages of the countries affected.

The committee notes that the President of the World Bank has announced the goal of making greenhouse gas emissions a fundamental consideration in the design and selection of World Bank projects. President Bush has proposed a U.S. contribution of \$2 billion to a Clean Technology Fund, to be housed at the World Bank, to provide assistance to developing nations for the purpose, among others, “to reduce emissions growth in developing countries . . .” The committee believes that U.S. development assistance, including lending through multilateral development banks, should promote the overall goal of lower global greenhouse gas emissions.

Section 6 of S. 3168 requires a report by the Secretary of the Treasury on the greenhouse gas emissions of each environmentally significant project funded at each multilateral development bank, and the total emissions of all such projects. The report shall also include an assessment of alternative projects that could accomplish the same social and economic goals, as well as a description of the plans of the Secretary of the Treasury to encourage reductions of greenhouse gas emissions of multilateral development bank projects, and an evaluation of the methodology used for assessing the greenhouse gas emissions of those projects.

Anti-corruption Trust Pilot Program

The bill authorizes the Secretary of the Treasury to engage in negotiations to establish a pilot anti-corruption trust fund. This is

meant to assist poor countries in prosecuting fraud and corruption, as well as to determine whether such a fund would be relevant to other multilateral institutions. The fund is consistent with the committee's long-standing interest in fighting corruption, generally and supporting tools for developing countries to actively fight corruption, specifically.

Report on Process to Address Grievances with the Multilateral Development Banks

The bill requires the Secretary to submit a report to Congress assessing the level, adequacy and effectiveness of the systems used to address grievances with the multilateral development banks. The report should provide a comprehensive review of the grievance process outcomes, the participation of requesters in the process and the quality of action plans to implement corrective measures.

IV. COST ESTIMATE

In accordance with Rule XXVI, paragraph 11(a) of the Standing Rules of the Senate, the committee provides this estimate of the costs of this legislation prepared by the Congressional Budget Office.

UNITED STATES CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, July 31, 2008.

Hon. JOSEPH R. BIDEN, JR.,
Chairman, Committee on Foreign Relations,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for S. 3168, the International Development Association Replenishment Act of 2008.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Jennifer Reynolds.

Sincerely,

PETER R. ORSZAG.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 31, 2008

S. 3168

**International Development Association
Replenishment Act of 2008**

AS ORDERED REPORTED BY THE SENATE COMMITTEE ON FOREIGN
RELATIONS ON JUNE 24, 2008.

Summary

S. 3168 would authorize the appropriation of \$3.7 billion to replenish the resources of the International Development Association (IDA) and to establish and evaluate an anticorruption program within the World Bank.

CBO estimates that implementing this bill would cost \$1 billion in 2009 and \$3.7 billion over the 2009–2013 period, assuming appropriation of the authorized amounts. Enacting the bill would not affect direct spending or revenues.

S. 3168 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

Estimated Cost to the Federal Government

The estimated budgetary impact of S. 3168 is shown in the following table. The costs of this legislation fall within budget function 150 (international affairs).

Basis of Estimate

The bill would authorize the appropriation of \$3.7 billion to replenish the resources of the IDA, a member of the World Bank Group, which lends money to some of the world's poorest countries.

The President has requested appropriations of \$3.7 billion to implement an agreement with the International Development Association. International agreements to replenish the resources of multilateral development banks typically cover a number of years. According to Administration documents, the replenishment agreements for the International Development Association cover the 2009–2011 period. CBO assumes, for this estimate, that the replenishment amounts would be provided in equal installments over that period.

In addition, section 4 of the bill would authorize the appropriation of \$2 million to establish an Anticorruption Trust Pilot Program at the World Bank to assist poor countries in prosecuting fraud related to financing from the World Bank. For the purposes of this estimate, CBO assumes that those funds would be provided in 2010. In total, CBO estimates that implementing this bill would cost \$1 billion in 2009 and \$3.7 billion over the 2009–2013 period, assuming appropriation of the authorized amounts.

Changes in Spending Subject to Appropriation
By Fiscal Year, in Millions of Dollars

	2009	2010	2011	2012	2013	2009– 2013
International Development Association						
Estimated Authoriza- tion Level	1,235	1,235	1,235	0	0	3,705
Estimated Outlays	1,041	1,235	1,235	194	0	3,705
World Bank Anticorruption Trust						
Estimated Authoriza- tion Level	0	2	0	0	0	2
Estimated Outlays	0	0	1	1	0	2
Total Changes						
Estimated Authoriza- tion Level	1,235	1,237	1,235	0	0	3,707
Estimated Outlays	1,041	1,235	1,236	195	0	3,707

Intergovernmental and Private-Sector Impact

S. 3168 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

Estimate Prepared by:

Federal Costs: Jennifer Reynolds
Impact on State, Local, and Tribal Governments: Neil Hood
Impact on the Private Sector: Jacob Kuipers

Estimate Approved by:

Theresa Gullo, *Deputy Assistant Director for Budget Analysis*

V. EVALUATION OF REGULATORY IMPACT

Pursuant to Rule XXVI, paragraph 11(b) of the Standing Rules of the Senate, the committee has determined that there is no regulatory impact as a result of this legislation.

VI. CHANGES IN EXISTING LAW

In compliance with Rule XXVI, paragraph 12 of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in *italic*, existing law in which no change is proposed is shown in roman).

The International Development Association Act

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SEC. 24. FIFTEENTH REPLENISHMENT.

(a) *The United States Governor of the International Development Association is authorized to contribute on behalf of the United States \$3,705,000,000 to the fifteenth replenishment of the resources of the Association, subject to obtaining the necessary appropriations.*

(b) *In order to pay for the United States contribution provided for in subsection (a), there are authorized to be appropriated \$3,705,000,000 for payments by the Secretary of the Treasury.*

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International Financial Institutions Act

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TITLE XIII—THE ENVIRONMENT

SEC. 1307. ASSESSMENT OF ENVIRONMENTAL IMPACT OF PROPOSED MULTILATERAL DEVELOPMENT BANK ACTIONS.

(a) **ASSESSMENT REQUIRED BEFORE FAVORABLE VOTE ON PROPOSAL.**—The Secretary of the Treasury shall instruct the United States Executive Director of each multilateral development bank not to vote in favor of any proposal (including but not limited to any loan, credit, grant, guarantee) which would result or be likely to result in significant impact on the environment, unless the Secretary, after consultation with the Secretary of State and the Administrators of the United States Agency for International Develop-

ment and the Environmental Protection Agency, determines that for at least 120 days before the date of the vote—

【(1) an assessment analyzing the environmental impacts of the proposed action, including associated and cumulative impacts, and of alternatives to the proposed action, has been completed by the borrower or the bank and has been made available to the board of directors of the bank; and

【(2) such assessment or a comprehensive summary of the assessment (with proprietary information redacted) has been made available to affected groups, and local nongovernmental organizations and notice of its availability in the country and at the bank has been posted on the bank's website.】

(1) an assessment analyzing the environmental impacts, including associated and cumulative impacts and net greenhouse gas emissions, of the proposed action and of alternatives to the proposed action, has been made available to the board of directors of the bank; and

(2)(A) such assessment or a comprehensive summary of the assessment (with propriety information redacted) has been made available to affected groups and local nongovernmental organizations in English and in the official languages of the countries of the affected groups; and

(B) notice of the availability of the assessment or comprehensive summary at the bank and in the countries of the affected groups has been posted on the Internet website of the bank.